

THE FEDERAL LONG TERM CARE INSURANCE PROGRAM

Long Term Care Planning

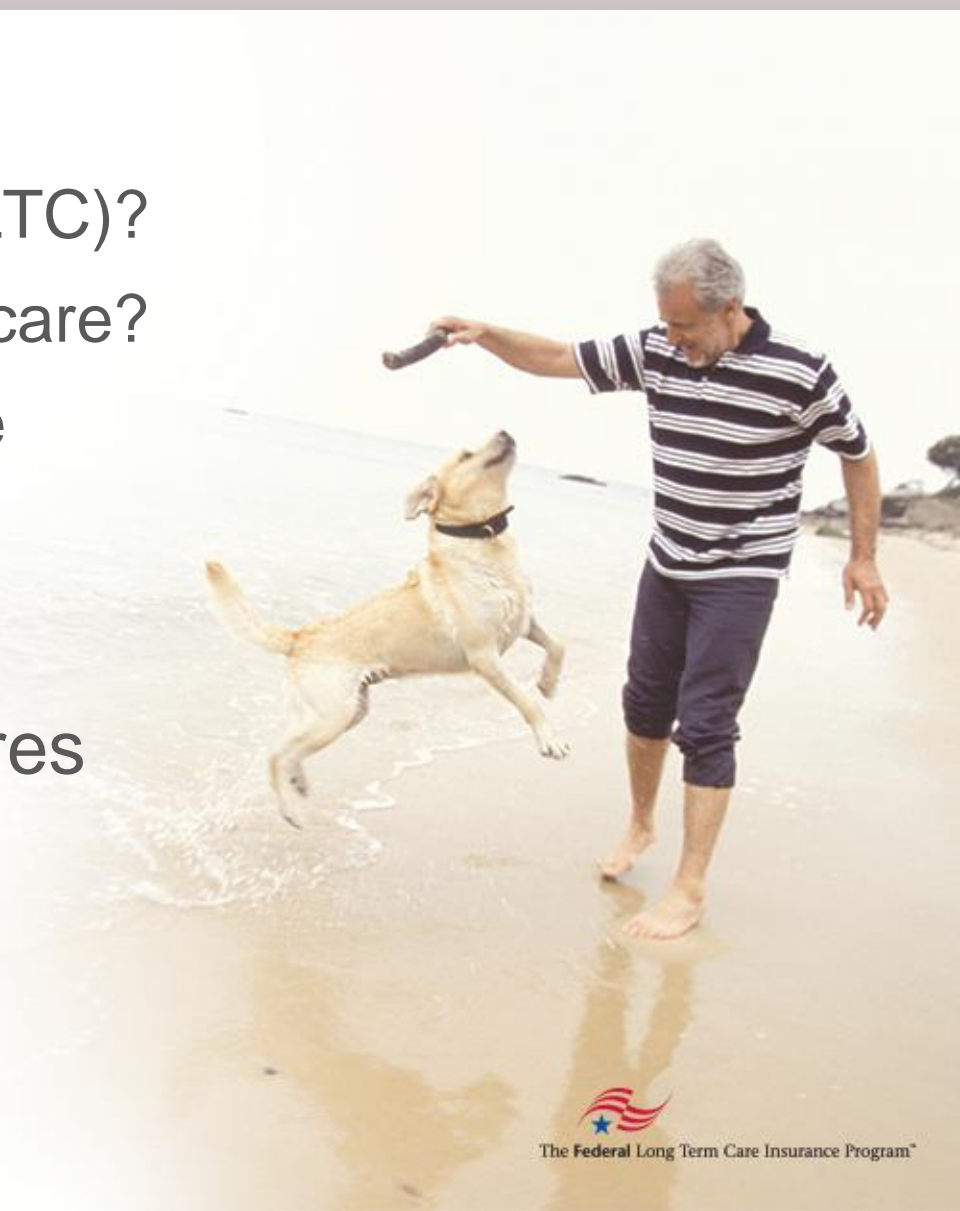
Agenda

Long Term Care Basics

- what is long term care (LTC)?
- what pays for long term care?
- long term care insurance
- other solutions

FLTCIP Benefits & Features

- plan design and features
- eligibility and enrollment
- resources



What is Long Term Care?

- Non-skilled care
- Help with activities of daily living (ADLs):
 - bathing ▪ transferring
 - dressing ▪ toileting
 - eating ▪ continence
- Supervision due to cognitive impairment



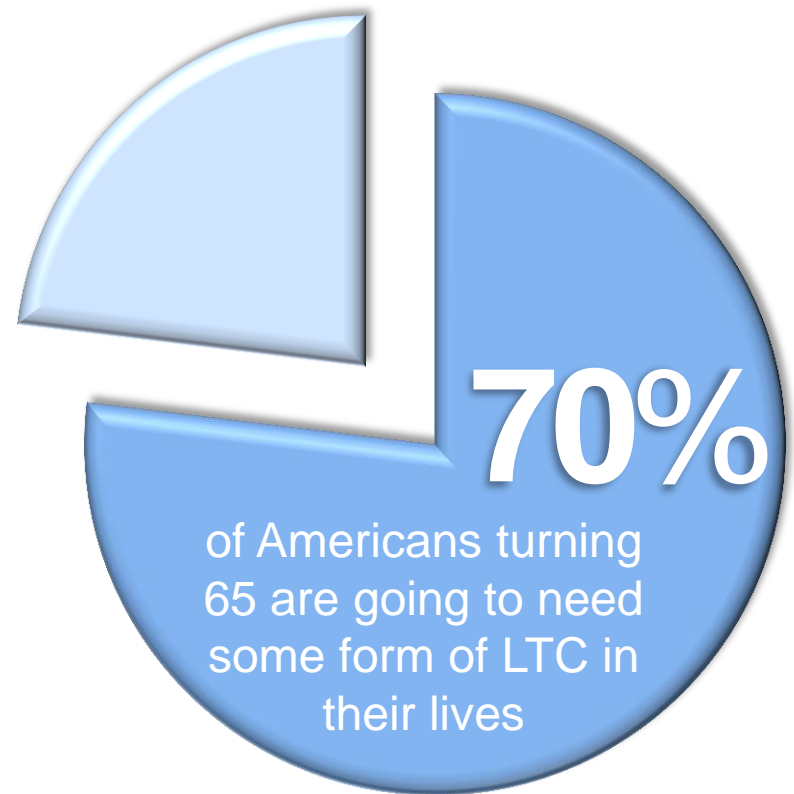
Care Settings

- Home
- Assisted Living Facilities
- Nursing Homes
- Alternative care settings:
 - Adult Day Care Centers
 - Continuing Care Retirement Communities (CCRCs)



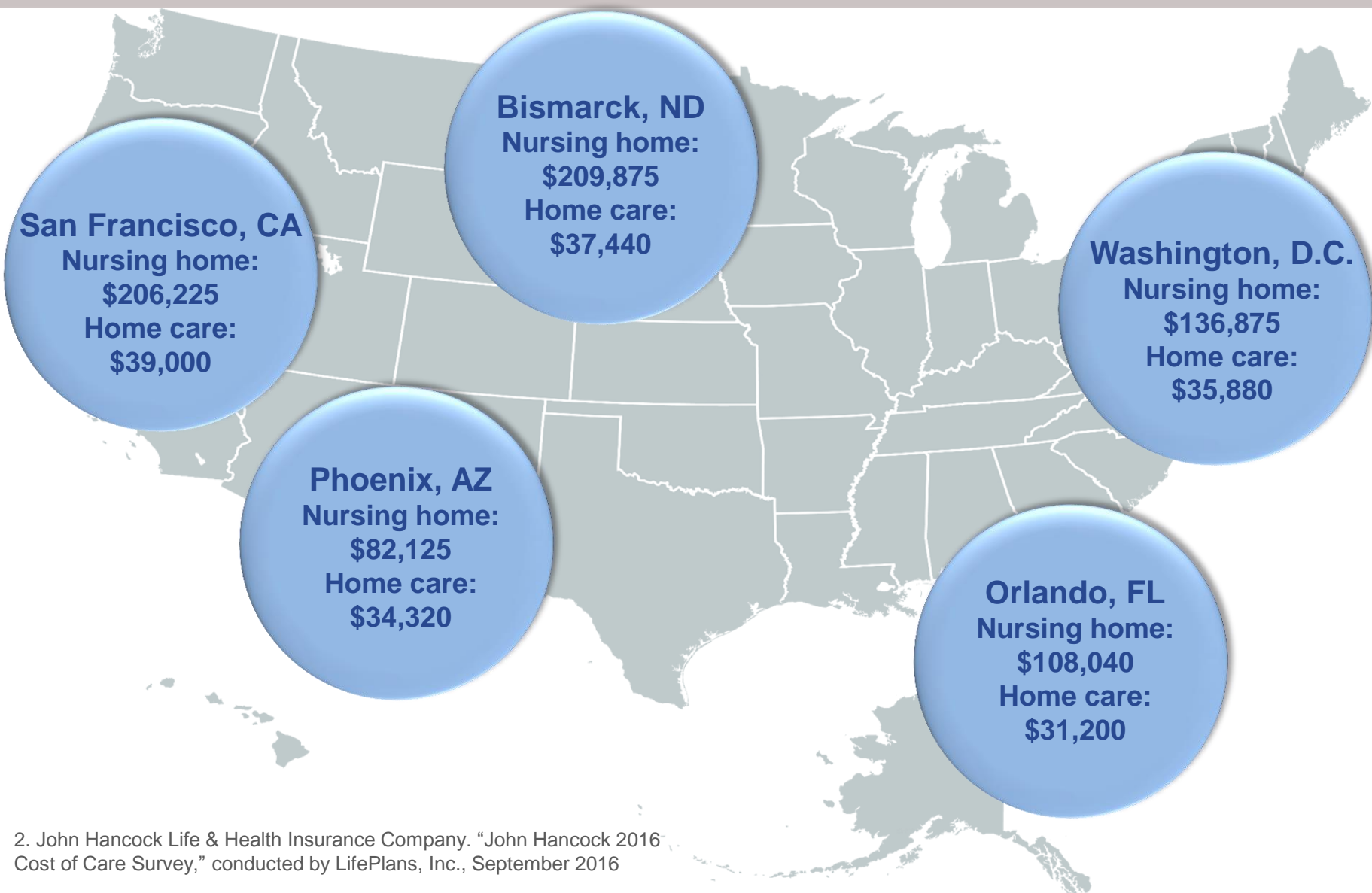
Today's Reality

- People are living longer
- The longer you live, the higher the probability that you'll need care¹
- The cost of LTC can quickly derail retirement planning



1. U.S. Department of Health and Human Services. "How Much Care Will You Need?," <https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html> (accessed October 2017).

Cost of Care²



Benefits that Don't Cover LTC

- Long term disability insurance
- Health insurance
 - Federal Employees Health Benefits (FEHB) Program
 - TRICARE and TRICARE For Life
- Medicare
 - rehabilitative benefits on a short-term basis, subject to restrictions

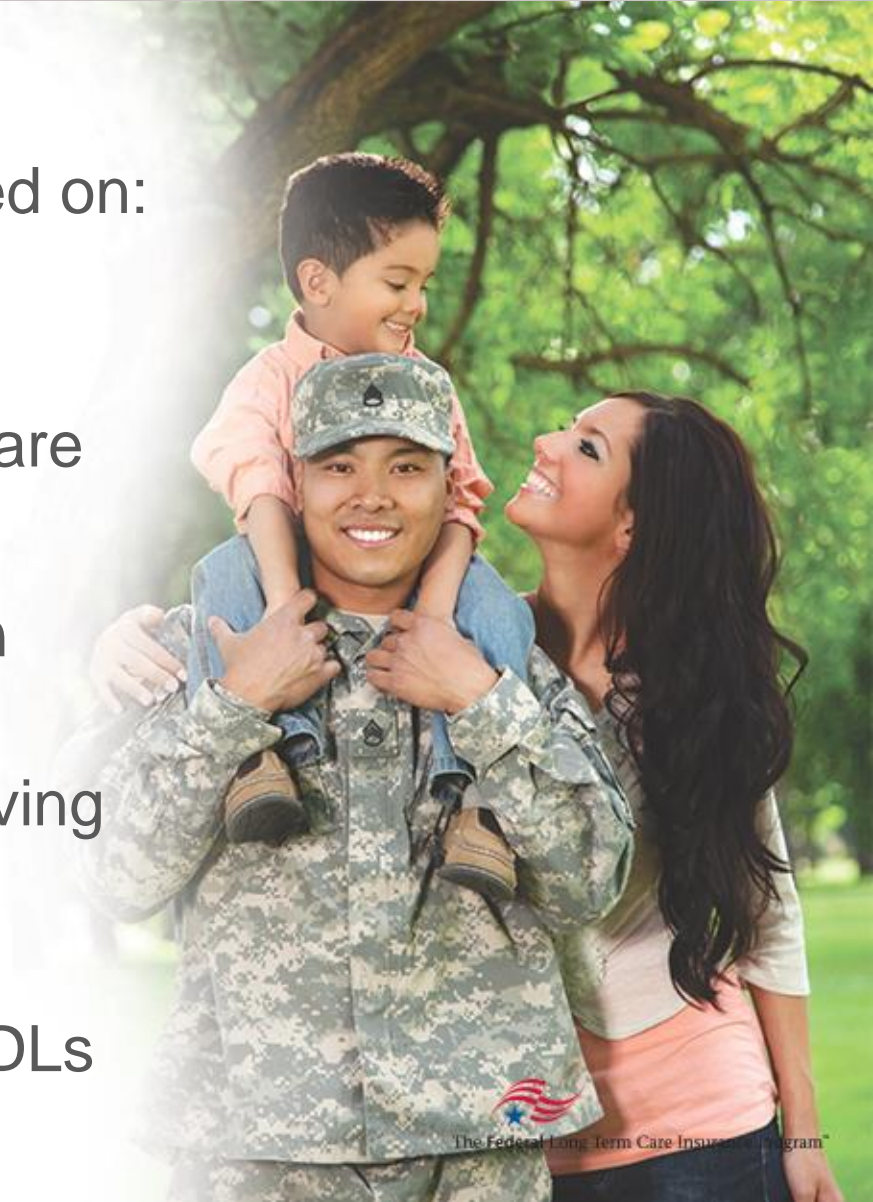
Does Medicaid Pay for LTC?

- Medicaid is a federal and state program that provides care to those who meet their state's poverty guidelines
- It pays primarily for nursing home care
- You must spend down your assets to qualify
- There are income limits; your pension or annuity may exceed your state's Medicaid income guidelines



Does the VA Pay for LTC?

- **Veterans Health Administration**
 - may provide LTC coverage based on:
 - service-connected disability
 - available funding
 - ability to contribute to cost of care
- **Veterans Benefit Administration**
 - Aid and Attendance Benefit:
 - wartime veterans or their surviving spouses
 - low income or assets
 - require paid assistance with ADLs



Other Solutions

Types of Coverage	Purpose
Standalone LTC Insurance	Insurance dedicated to paying for long term care needs
Combo products	Life insurance or annuity with a long term care provision built in
Reverse Mortgages	A type of home equity loan, a home owner can tap into home equity without selling or moving, and use the money to pay for long term care
Continuing Care Retirement Community	Providing a continuum of care, CCRCs offer part independent living, part assisted living, and part skilled nursing home care based on residents' changing needs

The FLTCIP Can Help

- The FLTCIP reimburses for the types of care that health insurance doesn't pay for, and that families often struggle to provide — this is what it's designed to do
- The FLTCIP can help:
 - protect enrollees' retirement plans
 - allow enrollees to stay at home for as long as possible
 - reduce family members' stress
 - facilitate informed decision-making each step of the way

Comprehensive Coverage

All FLTCIP coverage includes:

- Home care
 - formal caregivers - licensed home health aides
 - informal caregivers - choose your own caregiver:
 - family*
 - friends, neighbors, etc.
- Care in assisted living facilities
- Nursing home care
- Hospice care (home or facility)
- Adult day care

*When provided by family, covered up to 500 days, provided they do not live in your home at the time you become benefit eligible.



Who is Eligible to Apply?

- Federal and U.S. Postal Service (USPS) employees and annuitants
- Active and retired members of the uniformed services
- Qualified relatives:
 - current spouses, domestic partners, and adult children of *all* the above
 - parents, parents-in-law, and stepparents of employees and active members of the uniformed services
 - surviving spouses receiving a survivor annuity or basic employee death benefit

FLTCIP Plan Design

1. Choose a daily benefit amount (DBA)
2. Choose a benefit period
3. Choose your inflation protection



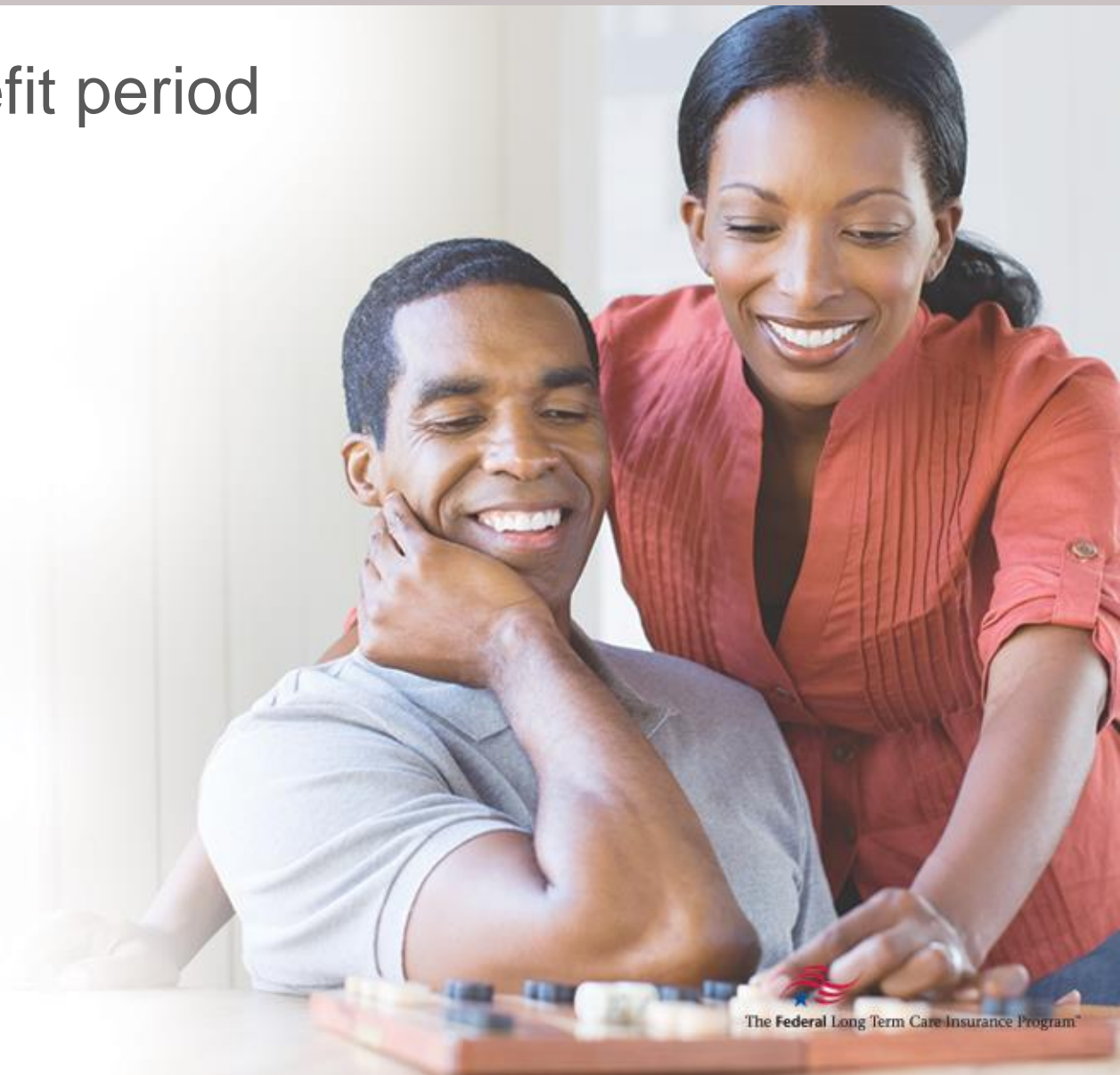
Decision #1: Daily Benefit Amount

- Choose between \$100 and \$450 per day
 - \$50 increments
- Covered expenses are paid up to 100% of DBA for care, regardless of domestic location
- Consider the cost of LTC where you live

Decision #2: Benefit Period

➤ Choose a benefit period

- 2 years
- 3 years
- 5 years
- Unlimited



How It Works: Maximum Lifetime Benefit (MLB)

\$150* (DBA)

✗ 1,095 days (3-year benefit period)

\$164,250* (MLB)

*Inflation protection works to help keep this number relevant over the years.

Decision #3: Inflation Protection

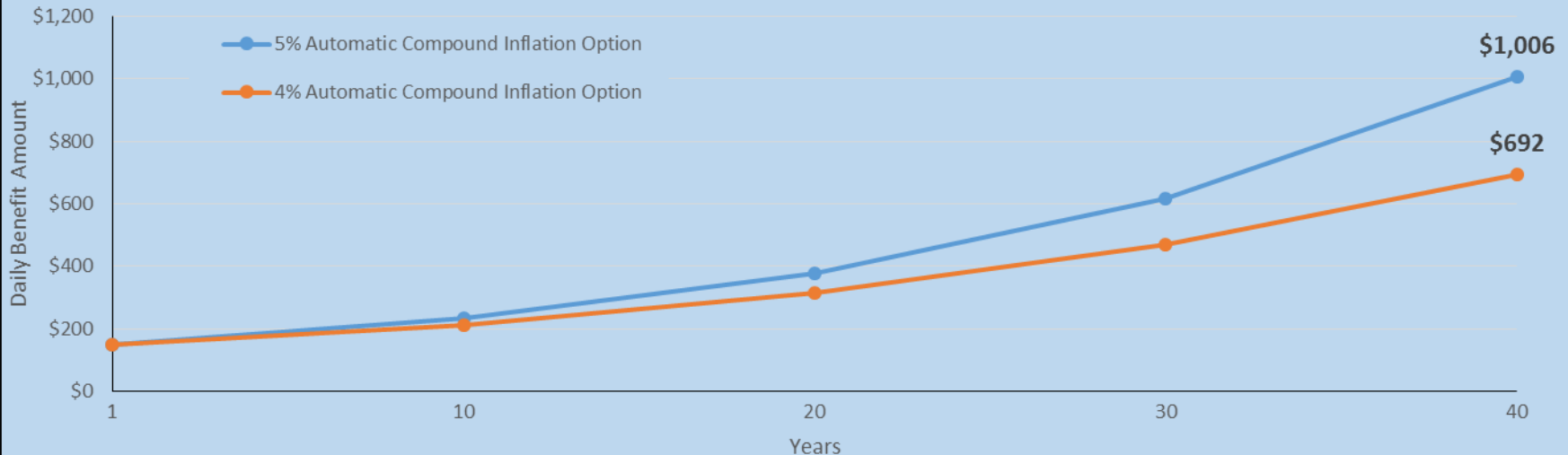
- Keep pace with the rising costs of care
- Two approaches:
 - Automatic compound inflation option (ACIO)
 - Future purchase option (FPO)



Automatic Compound Inflation Option

- Choose: 4% or 5% ACIO
- Your benefits automatically increase 4% or 5%, compounded annually

How a \$150 Daily Benefit Amount Increases
at 4% and 5% Automatic Compound Inflation Option



Future Purchase Option (FPO)

- Offer to purchase additional coverage every two years to keep up with inflation
- There are unlimited declines
- There is no additional underwriting
- Your new benefits are priced at your attained age



Sample Bi-Weekly Premiums

Prepackaged Plan B: includes **3** year Benefit Period, **\$150** Daily Benefit Amount plus choice of Inflation Protection Option:

Age at purchase	4% ACIO	5% ACIO	FPO
40	\$42.68	\$66.19	\$10.32
50	\$50.29	\$70.79	\$17.72
60	\$75.62	\$95.04	\$33.82
70	\$119.01	\$140.54	\$72.75

Premiums are set with the expectation that they will be sufficient, but they are not guaranteed. The premium for your group (for example, those with the same plan design or set of benefits) may only increase if it is determined to be inadequate. While the group policy is in effect, OPM must approve an increase in premium.

FPO Strategy: 50-Year-Old

- ▶ FPO affords you more benefit today for a premium similar to ACIO, effectively pre-funding inflation

DBA growth for 3-year benefit: Issue age 50

Age	4% ACIO	FPO
50	\$150	\$400

Premium per pay period

4% ACIO: \$50.29, **FPO:** \$47.25

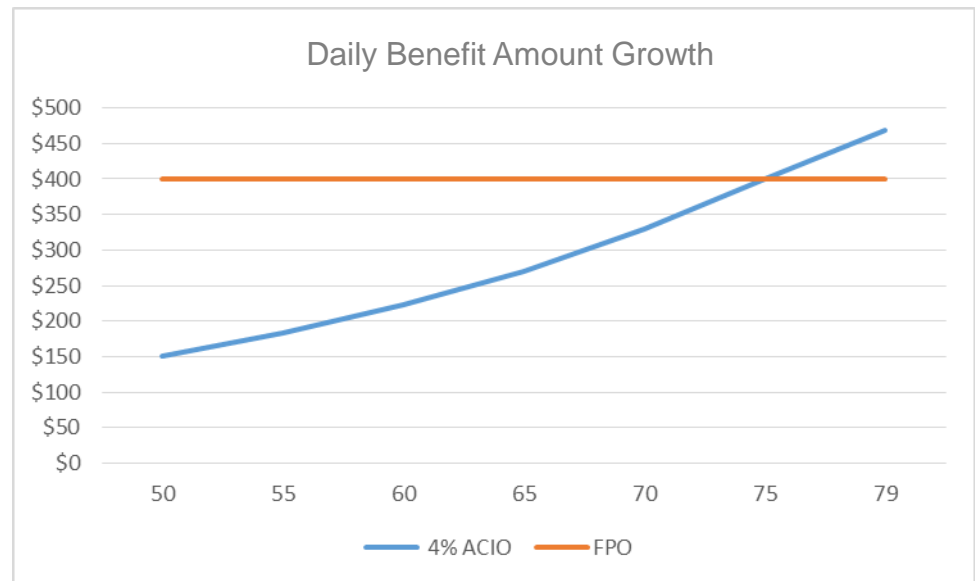
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DBA growth for 3-year benefit: Issue age 50

Age	4% ACIO	FPO
50	\$150	\$400
55	\$182	\$400
60	\$222	\$400
65	\$270	\$400
70	\$329	\$400
75	\$400	\$400
79	\$468	\$400

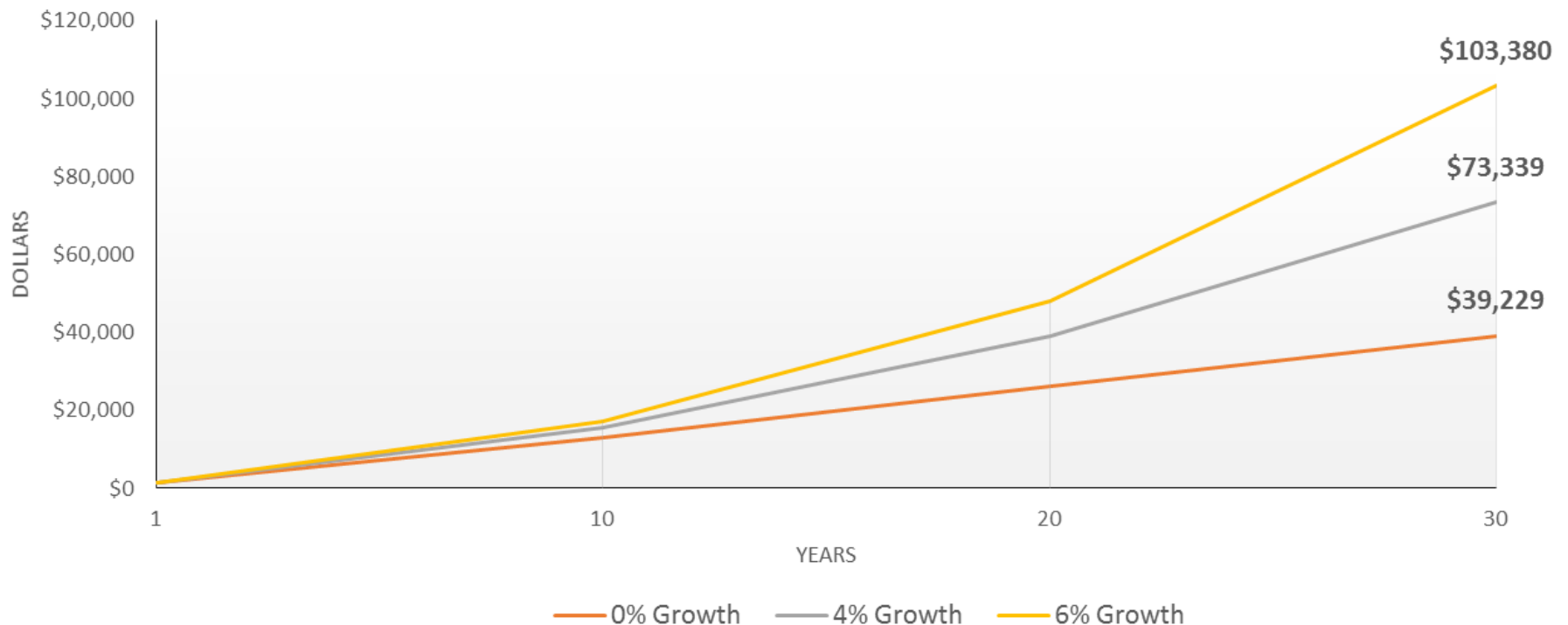
Premium per pay period
4% ACIO: \$50.29, FPO: \$47.25



Investing vs. Insuring

Investing LTC Insurance Premiums Over 30 Years

50-year-old, \$150, 3yr, 4% ACIO

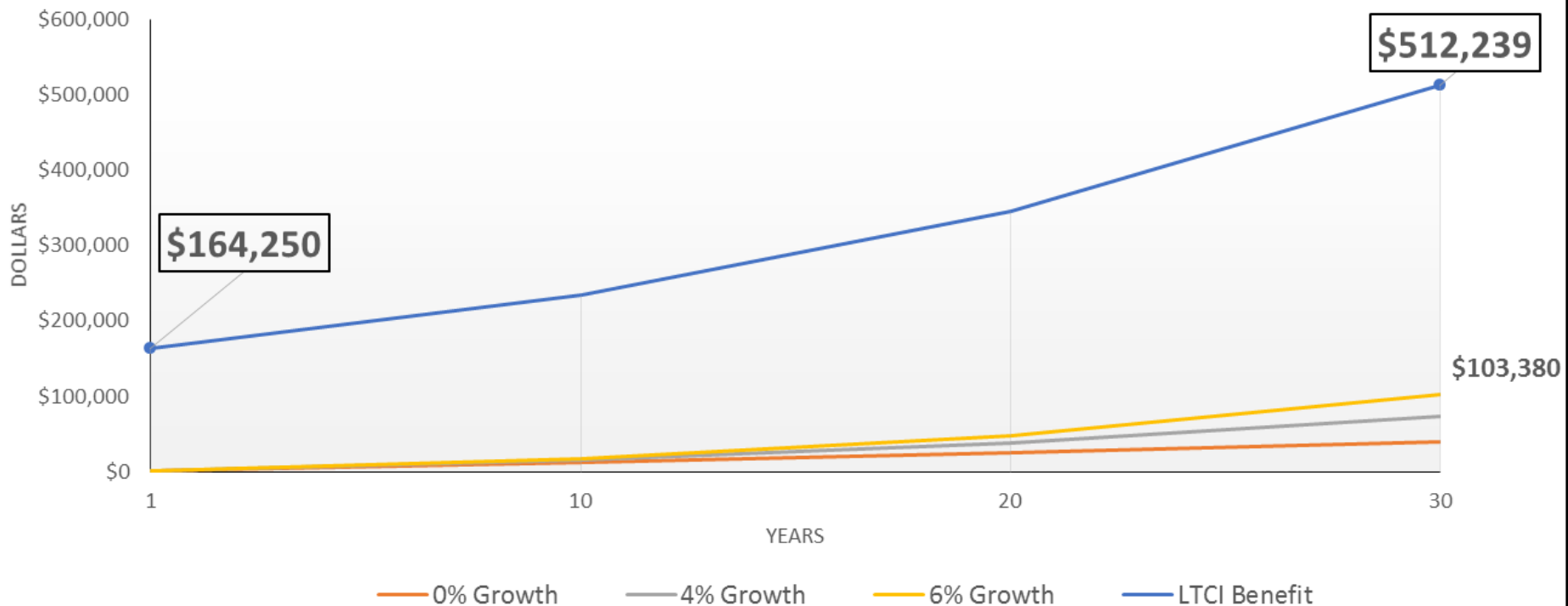


\$1,308 annual investment vs premium

Investing vs. Insuring

Investing LTC Insurance Premiums Over 30 Years

50-year-old, \$150, 3yr, 4% ACIO



\$1,308 annual investment vs premium

Waiting Period

- 90 Calendar days
- No incurred expenses required during this time
- Only needs to be satisfied once during your lifetime
- No FLTCIP benefits paid during this time, except for:
 - hospice & respite services
 - stay-at-home benefit

Stay-at-Home Benefit

- Can be used during waiting period
- Does not reduce maximum lifetime benefit
- Benefits payable up to 30 x DBA
 - durable medical equipment
 - home safety checks
 - home modifications
 - emergency medical response systems
 - care planning visits
 - caregiver training (up to 7 x DBA)

Care Coordination

- Expert care coordination is provided by registered nurses to:
 - help find high-quality care providers in your area
 - arrange for discounted services
 - support local and long-distance caregiving
 - assist with changing your plan of care as needs change
- Note: certain care coordination services are available to qualified relatives, even if they are not enrolled



International Coverage

- The FLTCIP provides benefits for care received outside of the United States with some restrictions
 - international benefits are paid at 80% of DBA
 - remaining 20% can be received for care provided domestically
 - unlimited benefit periods limited to 10 years internationally
 - paid at 80% DBA with remaining benefit available for services provided domestically



Are My Premiums Guaranteed?

- FLTCIP coverage is guaranteed renewable, but premiums are not guaranteed
- Your premium will not change because of your age or health
- Premiums may only increase if you are in an enrollee group whose premium is determined to be inadequate
 - The U.S. Office of Personnel Management (OPM) must approve an increase in premium
- Your premium may also increase if you voluntarily elect to increase your benefits

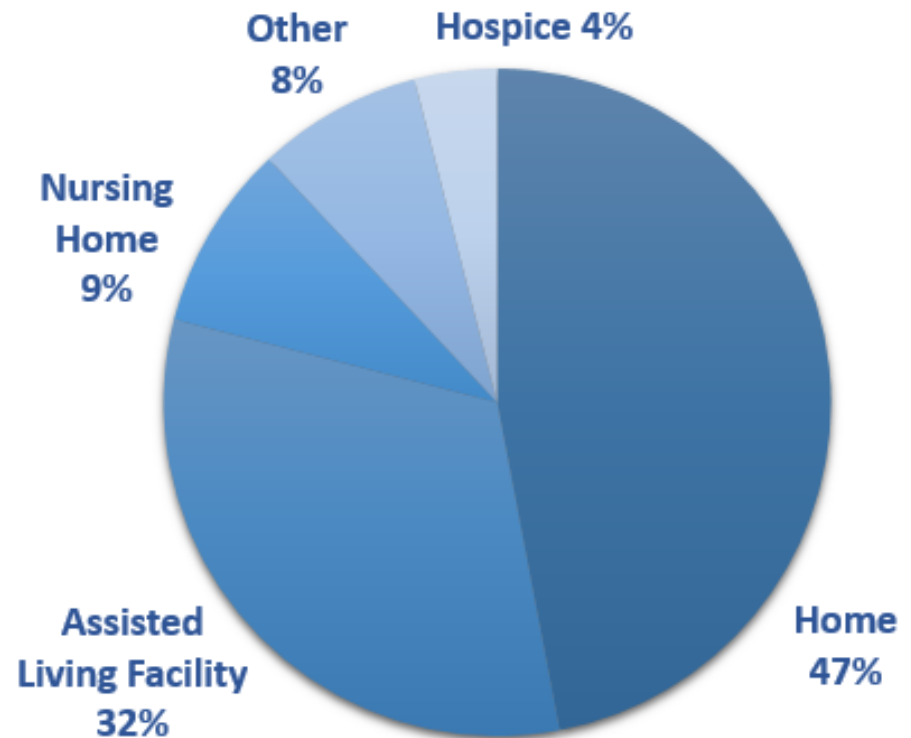
Coverage Details

- Premiums are based on your age at time of application
- The FLTCIP is medically underwritten
- Each participant must apply individually
- Coverage is fully portable
- Qualified relatives may apply even if you don't



FLTCIP Snapshot

- FLTCIP claims, more than:
 - **\$18,000,000** is paid monthly in claims
 - **\$1 Billion** paid in claims, to date
- Claim approval rate since inception: 95%



FLTCIP Strengths

- The FLTCIP is:
 - the largest employer-sponsored long term care insurance program in the country
 - underwritten by John Hancock Life & Health Insurance Company
 - sponsored by OPM
 - FLTCIP premiums are held in an experience fund, separate from John Hancock's other assets
 - performance metrics



*A New Day
for the Civil Service*

Resources

- Program consultants are available:
 - Weekdays, from 8 a.m. to 6 p.m. (ET)
 - **1-800-LTC-FEDS**
(1-800-582-3337)
TTY 1-800-843-3557
- **LTCFEDS.com**
 - planning tools
 - premium rates
 - brochures and applications



Thank you.

1-800-LTC-FEDS

(1-800-582-3337) TTY 1-800-843-3557

LTCFEDS.com

info@ltcpartners.com

The Federal Long Term Care Insurance Program is sponsored by the U.S. Office of Personnel Management, offered by John Hancock Life & Health Insurance Company, and administered by Long Term Care Partners, LLC.

